

VZCZCXRO2254  
PP RUEHCN RUEHGH RUEHVC  
DE RUEHSH #0143/01 2260135

ZNY CCCCC ZZH  
P 140135Z AUG 09 ZDK  
FM AMCONSUL SHENYANG  
TO RUEHC/SECSTATE WASHDC PRIORITY 8799  
INFO RUEHOO/CHINA POSTS COLLECTIVE  
RUEHV/AMCONSUL VLADIVOSTOK 0740  
RUEAIIA/CIA WASHDC 0203  
RHMFISS/COMUSKOREA J2 SEOUL KOR  
RUEKJCS/DIA WASHDC 0148  
RUCGEVC/JOINT STAFF WASHDC 0108  
RHEHAAA/NSC WASHDC  
RUEKJCS/SECDEF WASHDC 0163

C O N F I D E N T I A L SECTION 01 OF 03 SHENYANG 000143

SIPDIS

DEPARTMENT FOR EAP/K, EAP/CM, INR  
MOSCOW PASS TO VLADIVOSTOK

E.O. 12958: DECL: TEN YEARS AFTER KOREAN UNIFICATION  
TAGS: CH ECON KN KS PGOV PREL RS  
SUBJECT: PRC-DPRK BORDER: RASON, PUST, PEOPLE-TO-PEOPLE  
EXCHANGES

REF: A. 08 SHENYANG 185  
B. SHENYANG 90

Classified By: Consul General Stephen B. Wickman. Reasons 1.4(b)/(d).

¶11. (C) SUMMARY: Rason is the most open and liberalized place in North Korea, but minor improvements in relations with DPRK officials there should not be read as evidence of further engagement or liberalization, according to two key NGO contacts. Meanwhile, the Pyongyang University of Science and Technology (PUST) plans to hold its opening ceremony on September 17 and PRC-DPRK people-to-people exchanges seem to be robust. DPRK uneasiness with Americans continues. END SUMMARY.

¶12. (U) ConGenOff traveled to the Yanbian Korean Autonomous Prefecture August 2-9 to meet with contacts to discuss various economic issues, including ongoing business and humanitarian projects in North Korea.

RASON: MORE RUSSIANS, MORE PHONES, MORE FREEDOMS?

-----  
¶13. (C) On August 5, ConGenOff met with a naturalized Amcit NGO worker of Korean descent who has been living in Rason for extended periods since 2008. His organization is nearing completion on a fertilizer plant in Rason and he will permanently move with his wife and three children to Rason as soon as the construction is done.

¶14. (C) This NGO worker said that Russian residents are very prominent in Rason and that he frequently sees them around town (Ref A). He also reported the presence of many Chinese petty traders, though these people are not resident in Rason. He said that the Russians are allowed to travel throughout town without "minders," as are the mostly Han Chinese petty traders and Sino-Korean aid workers. As an American, however, our contact said he is constantly escorted by two guides. He said that the Hong Kong-invested Casino Hotel (of which reportedly Jackie Chan was a key investor) has re-opened for guests, though the casino itself, which drew the ire of Chinese officials, remains closed.

¶15. (C) Markets are now restricted to operating for two hours in the afternoon, from roughly 1730 to 1930. Another Amcit NGO source cited similar restrictions, saying that the requirement for everyone to labor outdoors during the day as part of the 150-Day Battle is what limited the hours to the

evening.

¶ 6. (C) All foreigners headed to Rason are required to check their cell phones with DPRK customs officials, but in a new development, foreigners in Rason can now use North Korean cell phones on a network installed by China Telecom. Outgoing calls are RMB 12 per minute and incoming calls are RMB 4. However, neither of our NGO contacts were interested in getting a North Korean cell phone because startup fees, including the handset and activation, were over USD 1000.

¶ 7. (C) A contact of ours who has been involved in Rason for the better part of this decade is now focusing on developing a small-scale food processing plant in Rason. He told us August 8 that his operation is leaner and smaller than that of the better-known aid missions. His organization used an initial USD 15000 investment to buy a share in a pre-existing North Korean brewery. He employs 10 North Korean employees and three Sino-Korean aid workers to run the plant, which processes China-sourced soybeans to produce various soybean products for export to South Korea.

¶ 8. (C) Our contact complained about the escalating nature of fees and favors that the DPRK officials have exacted on his operation. He said that Rason Port is exclusively served by North Korean shipping lines, now that previous Chinese tenants, such as the Yanbian Hyuntong (Xiantong) Trading Company had been evicted (NOTE: An August 10 Yonhap News report confirmed this story by reporting that the last remaining South Korean company that used to ply the Rason-Busan route decided to close its operations in March 2009 after failing to negotiate customs-free trade rights that it had enjoyed from 1996 to 2007.) The NGO leader said that he

SHENYANG 00000143 002 OF 003

pays about USD 700 to the DPRK brewery per ton of exported product and that the new North Korean shipping company asks for about USD 1300 per ton to ship out to Busan, a couple of hundred dollars higher than the previous shipper.

¶ 9. (C) This NGO leader was most impressed by his perception of improved religious tolerance on the part of his DPRK counterparts. During regular visits over the last decade, he said he would try to mask his pre-meal prayers by simply bowing his head when dining with North Korean officials. However, his DPRK host recently called attention to the NGO leader in front of a large group and asked him if there was anything he needed to do before eating. The NGO leader then said a short religious prayer to which the DPRK official smiled and nodded approvingly. The Amcit says that he maintains good contacts with these DPRK interlocutors, meeting with them when they visit Yanbian.

¶ 10. (C) Though both NGO workers expressed optimism for further improvements in the Rason working environment, they remained skeptical about whether any of these small-scale openings represented anything more than just what they appeared to be - token changes to facilitate the working relationship.

PUST OPENING CEREMONY RESCHEDULED FOR SEPTEMBER 17

-----  
¶ 11. (C) ConGenOff met with Yanbian University of Science and Technology (YUST) Vice President David Kim on August 3 to discuss the latest reversals surrounding the opening ceremony of the Pyongyang University of Science and Technology (PUST). Similar to the sudden and unexpected reversals that have characterized this project from the outset (Ref B), as soon as the DPRK Ministry of Education and PUST officials had agreed upon August 27 as an opening date the North Koreans suddenly asked to reschedule for September 17. Privately, Kim confided that he was relieved since it allowed his side more time to adequately prepare for the event (NOTE: Media reports have noted that September 17 is also the last day of the DPRK's ongoing 150-Day Battle.) Kim confirmed that DPRK Vice Minister of Education

Jeon Geuk-man is the co-operating president of PUST along with YUST President James Chinkyung Kim. He and his wife returned to Pyongyang on August 6 for what is intended to be a permanent sojourn as the onsite PUST program manager.

¶12. (C) Kim told us the PUST delegation will be required to enter as a group on September 16 and depart together on September 18. The group includes several people from the Western media, including correspondents from the New York Times, Wall Street Journal, and Los Angeles Times.

PRC-DPRK EXCHANGES CONTINUE, NERVOUSNESS ABOUT AMERICANS

---

¶13. (U) Local papers continue to highlight exchanges between China and North Korea during the year of the 60th anniversary of PRC-DPRK relations. A North Korean soccer team visited Yanbian for two weeks and played four matches against local teams. The Chinese central government authorities upgraded the status of Yanbian's last two second-tier land ports up to first-tier status, opening them to people from outside of Yanbian. A North Korean orchestra will commence a month-long tour throughout China, playing greatest hits from 1970s North Korean cinema. However, one report stated that Yanbian to DPRK tourism fell by 50 percent in June, with Beijing- and Tianjin-based tourists citing H1N1 as a deterrent, while others were hampered by changes in entry-exit requirements for tourists.

¶14. (C) A retired Yanbian trade and commercial official told us on August 3 that the attitude of official North Koreans on business in Yanji was very relaxed and much less stiff than just a few years ago. He said that when the North Korean state was floundering in the first part of this decade, the DPRK officials tried harder to maintain a gruff exterior when conducting business. Of late, however, he said the DPRK officials were less guarded and more willing to engage at least in small talk.

¶15. (C) When asked about the attitude of DPRK citizens towards exchanges with Americans, a Sino-Korean trader said

SHENYANG 00000143 003 OF 003

that no private DPRK businessperson would want to risk being seen around an American, especially an American official. As for official North Koreans, the trader said that with the exception of some people at the DPRK Embassy in Beijing, nobody was probably high enough in the hierarchy to justify being seen around Americans. The trader speculated at the potential line of questioning that a North Korean would receive: "what did you do to make the foreigner even consider offering a handshake?" Another Sino-Korean businessman reiterated his view that the DPRK Consulate in Shenyang was merely a commercial enterprise staffed by consuls whose primary responsibility was to make money and provide prompt and personalized customer service to the people doing significant business with North Korea, such as himself, saying that he merely had to make a single phone call to resolve paperwork.

WICKMAN